HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

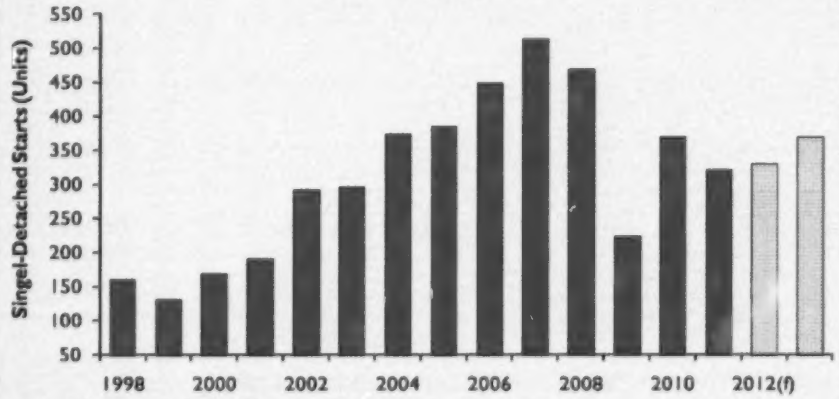
Date Released: Spring 2012

Market at a Glance

- Sudbury's existing home sales will advance from last year's level reaching 2,700 units in 2012 and 2,800 units in 2013.
- Sudbury sales will ease later this year as positive local economic announcements and low interest rates pulled some potential buying forward into early 2012.
- Sudbury's existing home average price to increase by 5.5 per cent in 2012 and 2.5 per cent in 2013. Higher home prices will prompt more listings which in turn will slow the rate of change in prices.
- At 330 units in 2012 and 370 units in 2013, Sudbury's single-detached housing starts will continue to dominate residential construction in the area. Improving labour market conditions, buoyant resale market and low new home inventory should support healthy activity in the next two years.

Figure 1

Sudbury's Single-Detached Housing Starts to Strengthen



Source: CMHC (Starts Survey); f = CMHC Forecast

* The forecasts included in this document are based on information available as of April 27, 2012.

Table of Contents

1 Market at a Glance
2 Resale Market
3 New Homes Market
3 Economic Overview
4 Mortgage Rate Outlook
5 Forecast Summary

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Resale Homes Market

Existing home market to advance

Current trends suggest existing home sales will advance from last year's level posting gains into 2013. This year's first quarter MLS® sales increased by 12 per cent when compared with the same period a year earlier. In the next two years, resale activity in the Greater Sudbury Area will continue to be influenced by healthy demand from first-time buyers, rising in-migration and stronger job markets. Nevertheless, Sudbury sales will likely ease from its early year strong pace as positive local economic announcements and lower interest rates likely brought some purchases forward into early 2012.

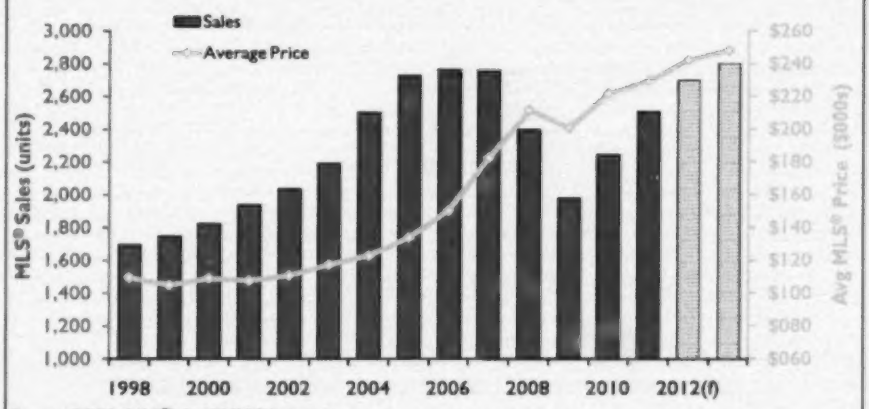
As evidenced by the recent Labour Force Survey (LFS) data from Statistics Canada, the number of individuals employed within the age group 25 to 44 increased by approximately one per cent between January and April 2012 from the same period last year. Worthy of note is that this age group accounts for the largest pool of first-time buyers in Sudbury. Improving job market conditions will boost household incomes and encourage more in-migration into the area. Rising employment and stronger in-migration will help mitigate rising home prices by 2013.

Existing home average price to continue upward trend

In the next two years, the existing home market in Sudbury will be characterized by healthy demand and strong balanced conditions. As a result, the average resale price is expected to continue its upward trajectory. Nonetheless, no significant change in homeownership affordability is projected for 2012 and 2013. According to the latest CMHC calculation, although required income[1] to buy a home in Sudbury will increase slightly relative to the actual income for the average household, household income growth will continue to support high levels of consumer spending.

Figure 2

Sudbury's Existing Home Market to Advance



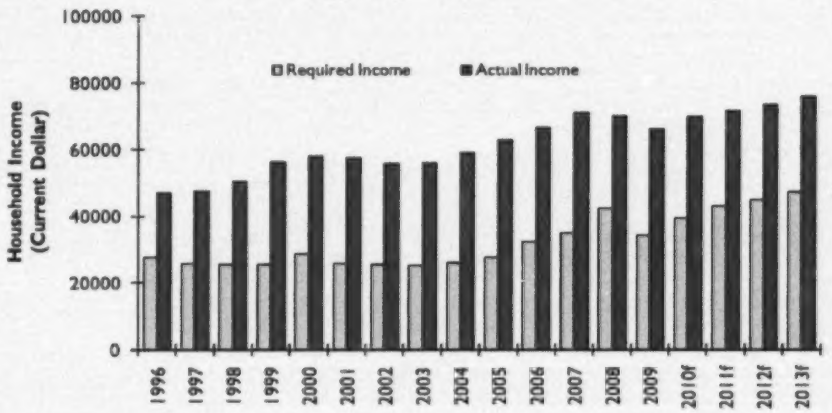
Source: CREA (MLS®); f = CMHC forecast

Single-detached housing starts to strengthen

Single-detached housing starts should strengthen in 2012 and further in 2013. Two main factors will be responsible for the strength in new single-detached construction. First, full-time employment among

Figure 3

Sudbury's Required vs. Actual Income



Souce: CMHC, Statistics Canada, CREA

[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

Sudbury's key homebuyer category (aged 45-64) remains prominent. Typically, this group includes repeat homebuyers, who will support demand for single-detached homes.

Second, price points and sales in the existing home market have historically been predictors for future trends in housing starts. That is, existing and new homes are close substitutes in terms of providing shelter for homeowners. As such, increasing sales of existing homes mean more spill-over demand into the new homes market – which in turn supports strong residential construction activity. With low inventories of unsold detached homes, this bodes well for stronger detached construction.

In the coming years, high-end and custom design single-detached homes will maintain market shares as some baby boomers look to build their dream homes. As evidenced by the most recent data, the level of building permits – a forward looking indicator – points toward an increase in single-detached starts for 2012 and 2013.

New Homes Market

Expect high apartment construction in 2012

New apartment starts are expected to increase this year before stabilizing in 2013. Over half the apartment starts over the next two years will be ownership units in the form of condominium apartments. Construction has been inactive year-to-date as the market continues to absorb the high influx of new rental units that were started in the past two years. However, stable youth employment growth, improving migration combined with historically low vacancy rate point towards an increase in new apartment starts by year-end. In essence, increasing demand levels will prompt builders to raise rental apartment construction in 2012.

Meanwhile, row starts will moderate in 2012, given the increased number of row units that are currently under construction. More specifically, as of March 2012, the number of row structures under construction reached 39 units – up from 24 units in March 2011. As well, during the corresponding period, about 127 units were newly completed and unoccupied – suggesting a potential increase in supply for 2012. On the other hand, semi-detached starts will be relatively unchanged in 2012 as the inventory level for this type of dwelling remains stable.

Economic Overview

Employment growth to remain positive

The Greater Sudbury Area employment grew at a strong pace in 2011 and all of the new jobs created were full time positions – indicating that employers are regaining confidence in the local economic recovery. With a high share of individuals employed last year, the unemployment rate reached its lowest level since 2009.

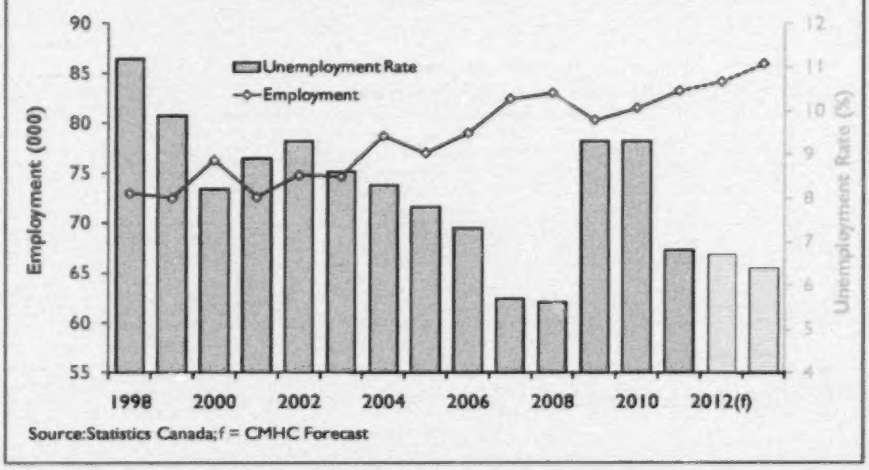
Global interest in Ontario, particularly Northern Ontario, as a site for mining exploration and development will keep the labour market active. Since the province is perceived as mining friendly with a regulatory environment that is stable – these expansions in Sudbury will result in more job creation. Therefore, employment is forecast to grow in 2012 and further accelerate in 2013.

Meanwhile, the unemployment rate is expected to reach an average of 6.7 per cent by the end of this year. A rate that is lower than the provincial and national annual averages. Once the various pipeline projects begin to take effect in the next few years, the pace of job creation will accelerate. Looking ahead, Sudbury economy is anticipated to enter a sustainable growth path.

Quite recently, Vale Company announced its intention of expanding in the Greater Sudbury Area. The

Figure 4

Sudbury's Employment Growth to Remain Positive



Source: Statistics Canada; f = CMHC Forecast

$3.4 billion to be spent by Vale over the next five years will come with increased exploration in order to double the size of their nickel smelter and thereby substantially increase their production capacity. Vale's emission reduction project will require 1,300 construction jobs which will generate income for hotels and apartments and other providers of temporary accommodation during the construction phase.

In addition to mining, the Sudbury CMA is expecting other projects. Among them are Sudbury School Board construction projects, municipal projects, Health Sector initiatives, and College & University projects, a host of private initiatives. Worthy of mention is the work being generated by Sudbury's mining supply and services community that may employ as many as 10,000 workers.

Mortgage Rate Outlook

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

Forecast Summary Greater Sudbury CMA Spring 2012							
	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	1,977	2,244	2,507	2,700	7.7	2,800	3.7
MLS® New Listings	4,307	4,673	4,354	4,200	-3.5	4,300	2.4
MLS® Average Price ($)	200,947	221,699	229,485	242,000	5.5	248,000	2.5
New Home Market							
Starts:							
Single-Detached	224	369	321	330	2.8	370	12.1
Multiples	226	206	274	240	-12.4	200	-16.7
Semi-Detached	8	4	40	30	-25.0	30	0.0
Row/Townhouse	74	25	54	20	-63.0	8	-60.0
Apartments	144	177	180	120	-33.3	152	26.7
Starts - Total	450	575	595	570	-4.2	570	0.0
Average Price ($):							
Single-Detached	370,755	360,289	372,831	363,500	-2.5	371,000	2.1
Median Price ($):							
Single-Detached	339,900	354,900	366,900	362,000	-1.3	366,000	1.1
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	0.7	-0.5	0.1	0.9	-	1.0	-
Rental Market							
October Vacancy Rate (%)	2.9	3.0	2.8	2.0	-0.8	1.8	-0.2
Two-bedroom Average Rent (October) ($)	830	840	881	908	-	935	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	80,300	81,500	83,200	84,100	1.1	85,900	2.1
Employment Growth (%)	-3.3	1.5	2.1		-		-
Unemployment rate (%)	9.3	9.3	6.8	6.7	-	6.4	-
Net Migration	-252	-989	-1,047	200	-119.1	300	50.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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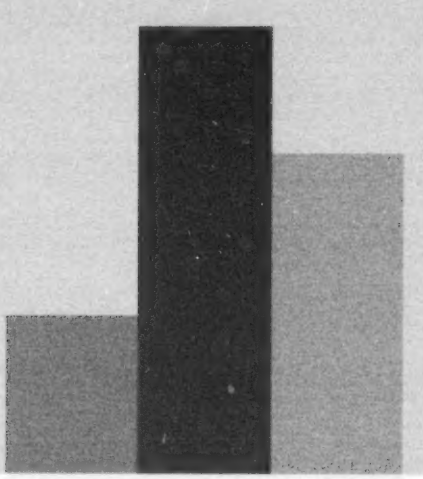

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- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
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